

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6384

BILL NUMBER: SB 173

NOTE PREPARED: Mar 25, 2013

BILL AMENDED: Mar 21, 2013

SUBJECT: Lakefront Development Project Alcohol Permit.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR: Rep. Davis

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill allows the Alcohol and Tobacco Commission (ATC) to issue up to six three-way, two-way, or one-way permits to sell alcoholic beverages for on-premises consumption to an applicant who is the proprietor, as owner or lessee, or both, of a restaurant in a municipal lakefront development project area located in Whiting. The bill requires: (1) the ATC to conduct an auction of the permits; and (2) the minimum bid for an initial permit to be \$10,000.

Effective Date: July 1, 2013.

Explanation of State Expenditures: (Revised) *Alcohol and Tobacco Commission:* This bill could increase administrative costs for the ATC. The permit changes in the bill may require the ATC to amend forms and computer software relating to the issuance of one-way, two-way, and three-way permits. The ATC would also be required to conduct an auction for the permits described in the bill. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: (Revised) *Auction:* The bill requires the ATC to conduct an auction of the six permits. If all available permits are sold, the minimum amount of initial revenue would be \$60,000, as the minimum bid for one permit is \$10,000. Permit auction revenue is deposited in the state General Fund (66%) and the Enforcement and Administration Fund (34%).

(Revised) *Permit Fees:* This bill could increase revenue collected from the issuance of one-way, two-way, and three-way permits to restaurants located in municipal lakefront development project area in Whiting. Up to six

permits may be issued under this bill. Assuming six permits are issued, the estimated annual increase in permit fee revenue is between \$3,000 and \$6,000.

The annual fee for a one-way permit is \$500, the fee for a two-way permit is \$750, and the fee for a three-way permit is \$1,000. These fees are deposited in the Excise Fund, and then distributed 37% to the state General Fund; 33% to the general funds of counties, cities, and towns based on population; and 30% to the Enforcement and Administration Fund.

A one-way permit allows an establishment to sell beer; a two-way permit allows an establishment to sell only beer and wine; and a three-way permit allows an establishment to sell beer, wine, and liquor. All of these permits are required to be renewed annually.

Alcoholic Beverage Sales: If additional permits are issued, this bill could increase alcoholic beverage sales. However, the increase of alcoholic beverage sales due to the new permits may be mitigated by decreased sales at other establishments. Any impact on alcoholic beverage sales will affect revenues from the Alcoholic Beverage Tax and the Sales Tax.

Revenues from the Alcoholic Beverage Tax are distributed in varying amounts to the following funds: state General Fund, Post War Construction Fund, Enforcement and Administration Fund, Pension Relief Fund, Addiction Services Fund, and Wine Grape Market Development Fund. Fifty percent of the General Fund distribution is set aside for General Fund purposes, and 50% is allocated to cities and towns based on population.

Sales Tax revenue is distributed to the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: If additional permits are issued, local revenues will increase to the extent that counties, cities, and towns receive 33% of permit fees deposited in the Excise Fund. Additionally, local revenues may be impacted to the extent that a local unit receives funds from Alcoholic Beverage Tax revenues.

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected: City of Whiting.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2012.

Fiscal Analyst: Lauren Sewell, 317-232-9586.